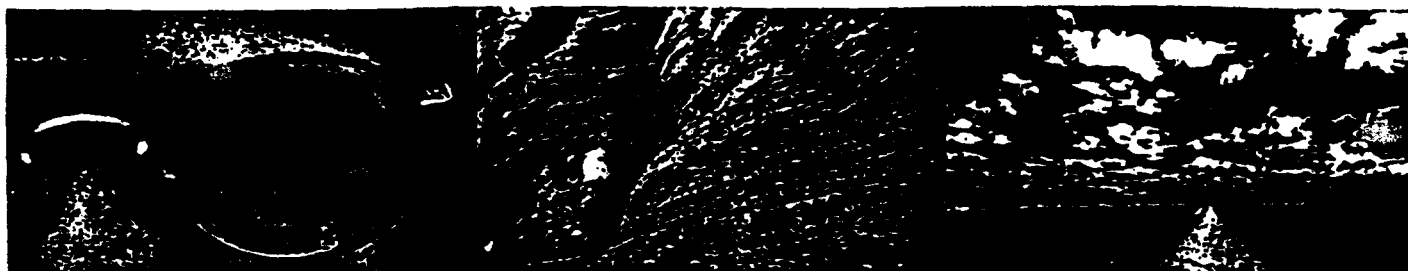


Natural Gas Price



Two federal agencies, the U.S. Forest Service and the Interior Department's Bureau of Land Management, control most of the public lands in the Rockies, and industry executives say those agencies have often sided with environmental groups who want to prohibit drilling there.

Double Eagle Petroleum & Mining Co., for example, started working on a leased 23,000-acre BLM tract in northern Utah back in 1987. Early seismic tests suggested the presence of sizable natural-gas reserves in the high-mountain area. But Double Eagle, which is based in Casper, Wyo., needs to lease a 400-acre tract in the middle of its BLM leasehold from the Forest Service in order to get financing to drill, says Steve Degenfelder, a company vice president. Under pressure from a local environmental group, the Forest Service has deliberated on the lease for most of the past decade.

Donna Wilson, a spokesperson for the Forest Service office in the Wasatch Cache National Forest, says her office is preparing an environmental impact study that could settle the issue by May.

The main opposition to Double Eagle's plans has come from the High Uintas Preservation Council, run by Dick Carter, a former Forest Service employee who lives in Hyrum, Utah. The council, which Mr. Carter says has 300 to 400 members, says it believes that conservation is a far better strategy for energy security than "haphazard development" of oil and gas in the undeveloped mountains.

While many people see lots of good reasons to keep current drilling restrictions in place, the industry sees only missed opportunities. "The balance between energy needs and environmental concerns hasn't been properly struck, and now we are paying the price for it," says J. Larry Nichols, president and chief executive officer of Devon Energy Corp. in Oklahoma City.

Today, about 90% of the new power-generation facilities under construction are gas-fired. The power industry is expected to increase its annual gas demand by an average of 5.4% through 2020, more than double the 2.2% growth rate of gas consumption for the economy as a whole, the DOE says. Some observers think those estimates are too conservative; gas consumption by power plants grew at a 7.5% clip last year, and the big surge in the construction of new generating facilities is just now getting under way.

In San Diego, power-plant operators saw their gas supplies curtailed this fall because there wasn't enough gas in the pipeline system to meet their needs. The plants escaped the trouble by reducing gas use and temporarily shifting to burning oil. But California electricity officials warn that if production and storage capacity aren't beefed up, consumers will face shortages and blackouts this year.

Already, their costs have gone up. The rates Alan Wilhites pays for gas to heat his three-bedroom house in mild-weathered Bellingham, Wash., rose 14% in August and are increasing another 26% this month due to rising gas costs. His gas bill was \$67 in November, and with colder weather and higher prices, could exceed \$100 this month, even though he says he doesn't keep his thermostat any higher than 65 degrees.